2008 ANNUAL REPORT

College Pension Plan

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The College Pension Plan

$2.42 billion

Net Assets Available for Benefits

Invested in:
Cash equivalents, Bonds, Domestic and International Equities, Real Estate and Private Placements

24

Employers

British Columbia post-secondary institutions

19,094

Members

Includes active, retired and inactive members

Contents

Financial Highlights

Basic Account Investment Asset Mix and Performance

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
	as at August 31, 2008			
Fixed Income	25-45			
Short-term	0–10	2.1	6.7	3.7
Mortgages	0–10	5.4	6.4	7.8
Bonds	17–28	21.9	8.1	7.7
Real Return Bonds	0–10	3.9	13.4	15.8
Equity	55–75			
Canadian Equities	10–22	14.2	0.9	1.3
U.S. Equities	10–22	15.7	(9.0)	(9.7)
International Equities	10–22	14.6	(15.2)	(14.2)
Real Estate	10–20	16.1	9.6	7.5
Private placements	0–10	6.1	**	**

* Benchmarks are objective standards approved by the board to evaluate investment returns.
** Annual rate of return not applicable. These investments are long-term and returns are not realized on an annual basis.

Investment Performance

Year ended August 31	Performance Benchmarks* 2008	Actual 2008	Actual 2007
		$ Millions	
Market Value		**$2,418**	$2,349
Basic Account		**2,120**	2,049
Inflation Account		**298**	300
Market Value Rates of Return			
Basic Account			
Annual	**1.3%**	**1.2%**	11.3%
Five-year Annualized	**8.4%**	**9.2%**	10.4%
Inflation Account			
Annual	**1.4%**	**1.6%**	11.5%
Five-year Annualized	**8.5%**	**9.7%**	10.9%

* Benchmarks are objective standards approved by the board to evaluate investment returns.

FINANCIAL HIGHLIGHTS

In the fiscal year ending August 31, 2008, the College Pension Plan Basic Account returned 1.2 per cent, slightly below the benchmark of 1.3 per cent.

The Inflation Adjustment Account returned 1.6 per cent, slightly higher than the benchmark of 1.4 per cent. At the end of the fiscal year, the plan's investments were valued at $2.42 billion, up from the prior year's level of $2.35 billion, as investment returns and contributions exceeded withdrawals during the period.

During the year, the plan's highest returning investments were real return bonds and mezzanine (formerly called specialty) mortgages, which generated returns of 13.4 per cent and 10.7 per cent respectively. These positive returns were offset by declines in international stock investments. The plan's U.S. and non-North American stocks earned -9.0 per cent and -15.2 per cent respectively.

Equity performance was a significant detractor to the plan's overall performance for the year ending August 31, 2008. Furthermore, subsequent to the plan's year end, equity markets have continued to slide and all markets are experiencing ongoing volatility. These conditions have resulted in a steep decline in the fair market value of many pension plan assets, including those of the College Pension Plan. To manage this volatility, the College Pension Plan holds a diversified portfolio of assets that includes cash equivalents, bonds, mortgages, domestic and international equities, real estate, and private placements. In addition, over a year ago, the plan's investment agent, bcIMC, positioned the pension investments more defensively in anticipation of a market correction. For example, bcIMC decreased equity positions and increased real estate, mortgages and short-term investments. It should also be noted that bcIMC is not directly exposed to any of the risky products at the root of the upheaval such as subprime mortgages, hedge funds, credit default swaps, and non-bank sponsored asset-backed commercial paper. Furthermore, bcIMC does not use "leverage" or borrowing in the public markets. As a result, the plan has not had to sell any assets at distressed prices, as many investors have.

In June 2008, the plan's Board of Trustees approved a new asset allocation policy for the plan, effective October 2008. The new allocation policy results in less exposure to public equity markets and more exposure to assets such as real estate, private placements and Strategic Investments and Infrastructure Investments. These asset classes seek to provide both investment income and capital appreciation. The new allocation policy also allows the plan's investment manager greater geographical flexibility in selecting its international investments in order to take advantage of future growth opportunities.

By maintaining a flexible, yet broadly diversified investment structure, the plan seeks to take advantage of investment opportunities as they arise, while continuing to pursue investment results consistent with the plan's long-term investment horizon.

Trustees' Message

Welcome to the College Pension Plan's annual report for the fiscal year ending August 31, 2008.

In times of uncertain investment returns, members can take comfort in knowing their pension plan is a defined benefit plan. This means the basic benefit is determined by age at retirement, five best salary years and years of pensionable service. More importantly, the basic pension benefit is pre-funded and guaranteed to be there for life.

We have been aware we would face challenges in managing available funding for the two non-guaranteed benefits—cost-of-living increases and post-retirement group benefits—in the future, so we began seeking solutions in 2008. Late in the year we will begin developing an approach to create sustainable cost-of-living increases. The move to sustainable cost-of-living increases will impact and benefit the vast majority of members, no matter their stage of membership.

This report is a snapshot of our fiscal year ending August 31, 2008. Since that time, as global capital markets have experienced unprecedented volatility, some of the plan's assets have seen a steep decline in their fair market value. Still, it is important to underscore that the plan mitigates risk by holding a diversified portfolio. While not immune to market forces, the plan follows a more conservative strategy that has avoided many of the more volatile investment instruments, such as credit default swaps and risky collateralized mortgage obligations.

We continue to focus on the long-term health of the plan. After we receive the valuation report every three years, we review our investment policy and make adjustments to our asset mix where necessary. This is one of the most important decisions we make because it sets the general direction for investing over the coming three years. We do adjust our asset mix more often, as necessary, and this year's changes reflect our belief that there are low return prospects for fixed income investments and that setting aside a larger share of resources for investment in assets such as commercial real estate and privately negotiated investments will lead to higher long-term returns.

Additionally, we utilize the skills of an actuary to ensure the plan is financially sound. By law, we must appoint an actuary to perform actuarial valuations and prepare actuarial reports. An interplan committee asked for proposals for actuarial services on behalf of the College, Public Service and Teachers' pension boards. After reviewing the proposals, the committee recommended the appointment of Richard Border of Eckler Ltd. as the actuary for the next valuation cycle. We accepted the committee's recommendation. The appointment is renewable at our discretion for up to three valuation cycles.

Joint trusteeship is one of the cornerstones of the plan's health. The joint trusteeship model shares plan management equally between representatives of both members and employers. It means members and employers share the responsibility for any unfunded liabilities and the ownership of any surpluses. It is a model that gives members control over the governance of their pension plan and promotes the dependability of an asset they can bank on.

We present this report with pride and look forward to continuing to work on behalf of our members.

Trustees as at August 31, 2008

DOMINIQUE ROELANTS, CHAIR Dominique Roelants joined Vancouver Island University (then Malaspina College) in Nanaimo in 1983 as a Computer Science professor. He holds a BSc in Math and Computing Science, and an MSc and a PhD in Computer Science. In 2004, he earned a Bachelor of Laws and became a lawyer in 2005. He has also completed Levels I, II, III, and IV certification in the Advanced Trustee Management Standards Program.

Dominique began sitting on the Pension Advisory Committee of the Federation of Post Secondary Educators in 1998 and still attends as a non-voting member. He has served as second vice president of the federation since 2005.

The Federation of Post Secondary Educators appointed Dominique to the College Pension Board of Trustees in 2001. His experience in economic modeling is a valuable addition to the board.

DENNIS ANDERSON, VICE-CHAIR Dennis Anderson's career in the Alberta, Ontario and BC public education systems spanned 34 years. He served as instructor, counselor and administrator before closing out his career at the Center for Curriculum, Transfer and Technology in 2004. There, he managed curriculum, professional development and distance learning projects.

Dennis held executive and leadership positions in both union and provincial organizations. He was also active in the not-for-profit sector, serving on the executives of various boards and councils. Dennis is currently the temporary president of the post secondary educators' branch of the B.C. Retired Teachers' Association. Dennis has attained Levels I, II and IV certification in the Advanced Trustee Management Standards Program and is working towards certification in Level III.

Dennis is the retired member appointee to the board. The Federation of Post-Secondary Educators of B.C. and the B.C. Government and Service Employees' Union appointed him in 2004.

BARRY BOMPAS Barry Bompas held a number of senior management positions at the University of the Fraser Valley over a 24-year period, finishing his career there as Vice President of Finance and Employee Services. He has been acting as a Labour Relations consultant for the last two years.

Barry holds a Bachelor of Arts degree in Psychology and a Bachelor of Commerce degree in Labour Relations. His experience includes many years of involvement on pension committees in both the College and Municipal plans, as well as dealing with individual employees' pension issues.

Barry was appointed to the College Pension Board of Trustees in 2003. He is appointed by the provincial government and the Post-Secondary Employers' Association.

DAN BRADFORD Dan Bradford is past chair of Selkirk College's School of Industry and Trades Training, a member of the B.C. Government and Service Employees' Union's (BCGEU) Provincial Executive and the BC Federation of Labour's Education and Apprenticeship Committees, and chair of the BCGEU Education, Scientific, Technical and Administrative Component.

Dan's 15-year involvement in B.C.'s Advanced Education System initiatives has included sitting on the Board of Directors of the Industry Training and Apprenticeship Commission and of the Center for Curriculum, Transfer and Technology of British Columbia, where he was also board chair. He was a provincial committee member on the Ministry of Advanced Education's Future Strategic Direction "Charting a New Course" initiative and is currently a committee member on the Ministry of Advanced Education's Policy Table.

Dan was appointed to the College Pension Board of Trustees in 2000 by the B.C. Government and Service Employees' Union and he has been a director of the BC Pension Corporation Management Board since 2005.

WELDON COWAN Weldon Cowan taught French Immersion science at the secondary level for 17 years before accepting a staff position at the BC Teachers' Federation in 2000. In March 2005 he became a staff representative for the Federation of Post-Secondary Educators of B.C. That organization appointed him to the College Pension Board of Trustees in September of that year.

Weldon was President of the North Vancouver Teachers' Association for three years and is a member of the College of Teachers. He holds a BSc with a specialization in Chemistry from Concordia University and a diploma in education from McGill. He also holds Level II and Level III certification in the Advanced Trustee Management Standards program.

CARL FISCHER Carl Fischer was appointed to the College Pension Board of Trustees in 2007 by the provincial government. He is Director of Financial Reporting and Advisory Services for the Ministry of Finance.

Carl is a member of the Benefits Committee and sits on the BC Pension Corporation Management Board.

MICHAEL LANCASTER Michael Lancaster was appointed to the College Pension Board of Trustees in August of 2007 by the provincial government. He sits on the Communications Committee, the Benefits Committee and the Interplan Investment Committee.

Michael is Corporate Relations Manager for the Public Sector Employers' Council Secretariat, a government agency whose focus is coordinating labour relations and human resources across the broad public sector. He holds a master's degree in political science and conducts research and develops policy for a variety of compensation-related issues.

PAUL MARTIN Paul Martin has held the position of staff representative for the B.C. Government and Service Employees' Union since 1984. He holds a diploma in Public Sector Management from the University of Victoria's School of Public Administration.

Paul's solid understanding of the plan is rooted in his service on various committees and with groups that led to joint trusteeship, the governance model under which the College Pension Plan operates. He served on the *Pension Benefits Standards Act* Advisory Council from 1992 through 2001. The B.C. Government and Service Employees' Union appointed him as an alternate trustee to the College Pension Board of Trustees in 2001.

Paul brings to the board more than 20 years of pension experience and remains active in pension and benefits issues through his employer.

KAREN MAYNES After articling with KPMG, Karen Maynes received her chartered accountant designation in 1987 and joined Douglas College as Director of Finance. She became Vice-President, Finance and Administration at the college in 1998.

Karen was nominated by the Post-Secondary Employers' Association and appointed to the College Pension Board of Trustees in 2005 by the provincial government. She brings with her extensive experience in the post-secondary education sector.

Karen is currently chair of the provincial Senior Finance and Administration Officers committee, and she sits as a post-secondary sector representative on the Institute of Chartered Accountants of BC Government Organizations' Accounting & Auditing Forum. She has also served on numerous Douglas College and provincial committees dealing with issues such as technology planning, faculty negotiations, and data definitions and standards.

ARLENE PATON Arlene Paton began her government career at the Ministry of Finance in 1988. In 1997, she moved to the Ministry of Advanced Education and became a director in the Post Secondary Education Division in 1999. In October 2004, she became Assistant Deputy Minister of that division.

In February 2006, Arlene moved on to become Assistant Deputy Minister, Partnerships and Community Renewal in the Ministry of Aboriginal Relations and Reconciliation. She is leading the provincial government's response to the Transformative Change Accord and has responsibility for some treaty negotiations.

Arlene holds a Bachelor of Arts from the University of Manitoba and a master's in public administration from Queen's University.

Arlene has been a College Pension Trustee since January 2005, when she was appointed by the provincial government.

JOHN WILSON Appointed by the Federation of Post-Secondary Educators of B.C., John Wilson has served on the College Pension Board of Trustees since March 2000. He is a past director, chair and vice-chair of the BC Pension Corporation Management Board and is currently chair of the Interplan Audit Committee and a member of the bcIMC Board of Directors.

John's career as a chartered accountant has spanned 31 years. He has worked as a computer audit specialist, a manager with Coopers & Lybrand and, for the last 24 years, an instructor in Capilano University's School of Business.

John holds a Bachelor of Commerce (UBC), Levels I, II, III and IV certification in the Advanced Trustee Management Standards program and the designation of Director (ICD.D) with the Institute of Corporate Directors.

John brings to the board valuable experience in benefits design and costing issues.

Message from the Chief Executive Officer, Pension Corporation

The BC Pension Corporation is one of Canada's largest public sector pension administrators and is proud to support the College Pension Board of Trustees in providing a comprehensive range of pension services to members and employers of the plan.

Our continuing goal is to make the pension experience as easy as possible for plan members, employers and trustees. Improving communications is at the heart of advancements we've made this year in online services and member and employer information.

We continued to enhance pension information for plan members and leverage the plan's website. We provided HTML versions of the *Guide for Plan Members* and *Choosing Your Best Pension Option* booklets to make them easier to access and read. We also supported the Board of Trustees in introducing new information about trustees onto the plan's website.

A significant percentage of active members are registered for My Account online services, which provide ready and secure access to personal information and personalized pension estimates. Online registration for both member retirement seminars and employer education was also launched this year.

We are continually working to improve our systems to provide excellent service. This past year we concluded the first phase towards replacing the system currently used to administer retired members' pensions. This multi-year replacement project will be an important foundation for enhanced services to retired members in the future.

I would like to thank the College Pension Board of Trustees for the opportunity to support the board in delivering sustainable pension benefits to plan members. We are committed to delivering great value and service you can trust from people who care.

Louise Young
Acting Chief Executive Officer
Pension Corporation

Message from the Chief Investment Officer, bcIMC

As investment manager to the College Pension Plan, bcIMC plays a key role in ensuring the security and dependability of the plan's benefit promise.

During 2007–2008, bcIMC faced many investment challenges as setbacks in global credit markets and significant volatility in stock markets shook the confidence of many investors. The corporation responded to these challenges by focusing on risk management, which is a critical element of our portfolio management process. As events unfolded, bcIMC adhered closely to our "3-D" investment philosophy of diversification, due diligence and disciplined investing:

Diversification—reduces risk and provides a more stable rate of return by holding multiple asset classes and securities across various regions.

Due diligence—assists prudent decision-making through careful analysis of the risks. An example of this is bcIMC's decision to avoid investments in non-bank sponsored asset-backed commercial paper. These investments are short-term debt instruments that subsequently experienced liquidity problems and significant declines in market value.

Disciplined investing—helps prevent a portfolio from being whipsawed by rapid changes in investor sentiment.

By holding firmly to our risk management philosophy, bcIMC avoided many of the pitfalls that befell other investment managers, earning returns on the Basic and Inflation accounts of 1.2 per cent and 1.6 per cent respectively during the year. While the past year has been disappointing, on a five year basis, the plan's Basic Account earned an annualized return of 9.2 per cent, exceeding its performance benchmark by +0.8 per cent per year, after all fees.

In addition to pursuing prudent investment strategies, bcIMC continues to carefully manage costs, thereby allowing a greater proportion of investment return to pass through to the plan. The corporation operates on a cost-recovery, not-for-profit basis. Furthermore, its large asset size provides access to substantial economies of scale. As a result, bcIMC's fees continue to be significantly below those of other investment managers.

In striving to exceed the performance and service expectations, bcIMC seeks high standards of corporate responsibility in the companies in which it invests. The corporation believes that responsible corporate behaviour with respect to environmental, social and governance factors generally contributes to better long-term financial performance of companies. In this way, bcIMC uses its influence as an investor to protect and increase the value of plan assets, taking into account risk and return. I encourage plan members to learn more about bcIMC and our responsible investment activities by reviewing our website at **www.bcimc.com**.

It has been a pleasure serving the College Pension Plan. I thank the Board of Trustees for their direction and support, and I look forward to working together in the future toward our common goal of ensuring the security and dependability of the plan's pension promise.

Doug Pearce
CEO/Chief Investment Officer
British Columbia Investment
Management Corporation

THE COLLEGE PENSION PLAN—
WHY YOU CAN DEPEND ON IT

Members of the College Pension Plan belong to a defined benefit pension plan. This means their basic, lifetime pension is guaranteed and they know well in advance of retirement how much they will receive once they leave the workforce. How can the plan offer that kind of guarantee?

Active members and their employers pay a percentage of salary for the pension benefit. Those contributions grow through investment returns. Investments are one of the keys to the dependability and sustainability of the plan. Approximately 80 per cent of the pension benefit is paid from investment earnings, with the balance paid from contributions.

That does not mean individual benefits are exposed to investment fluctuations, nor does it mean pensions are affected by market changes. Because the College Pension Plan includes beneficiaries who range in age from as young as 20 to as old as over 100, we are able to have a very long-term perspective. As a result, the plan's investments are managed by the British Columbia Investment Management Corporation for long-term gain. This means the plan receives investment income from a diverse range of holdings, while individual benefits are cushioned from investment market fluctuations.

Another key to guaranteeing the dependability and sustainability of the plan is the actuarial valuation process. Every three years, the trustees ask an actuary (a professional with specialized training in financial modeling, the laws of probability and risk management) to assess the financial health of the plan. The actuary determines how much money is needed to pay the pension promise to current and future retirees. He also looks at how much money is available to pay those benefits. If the actuary determines there is not enough money to pay the pension promise, there is an unfunded liability. The trustees must increase active member and employer contributions equally to repay the unfunded liability within 15 years. This is what happened in 2007, when contribution rates increased by 0.51 per cent of salary each for active members and employers. The next valuation will be as at August 31, 2009, with the report due the following year.

Retired members currently receive two non-guaranteed benefits: cost-of-living increases and post-retirement group benefits. Employers and active members pay a percentage of salary to cover cost-of-living increases. Part of the employers' contributions that would otherwise be available for cost-of-living increases, are put towards the cost of post-retirement group benefits. Trustees have been aware of challenges in managing available funding for these two benefits and have been seeking solutions. Throughout 2008, trustees continued to examine sustainable options for cost-of-living increases. Taking action on this issue will impact and benefit the vast majority of plan members, no matter their stage of membership.

The gross amount a retired member receives today will never decrease. The trustees can offer this guarantee because the plan is managed to be sustainable—depend on it.

Committees

Board Committees

Benefits Committee

Members: all trustees

This committee reviews the plan regulations and makes recommendations for improvements as necessary. It monitors and reports to the board on projected post-retirement group benefit costs and makes recommendations annually for extended health and dental premium rates and subsidies. The committee also reviews the Post-retirement Group Benefit Rules and makes recommendations for plan design, coverage levels and cost structures as required. This committee met seven times during the last fiscal year.

Highlights include:

- Recommendation to remove the 35-year cap on service accrual
- Recommendation to bring in a direct-pay option for extended health and dental premiums for retired members whose pensions are too small to cover the premiums
- Recommendation to use a more practical indexing factor for calculating commuted values, reciprocal transfer values and pension options
- Recommendation to change the definition of latest retirement age to refer to the Income Tax Act Regulation, rather than to a specific age

Communications Committee

Members: John Wilson (Chair), Dominique Roelants, Paul Martin, Michael Lancaster

This committee supports the board in its commitment to provide excellent communications to stakeholders, employers and plan members. The committee monitors materials to ensure the principles of plain language, plan identity and best practices are adhered to. The committee provides input on strategic messaging, reviews plan communications materials and has delegated authority from the board to approve some communications materials. The committee met five times during the last fiscal year.

Highlights include:

- *2007 Annual Report*
- *2007 Report to Members*
- *Choosing your Best Pension Option* booklet
- Updated *About the Actuarial Valuation Report*
- Updated *Retirement Planning Package*

Interplan Committees

Membership consists of trustees from the College, Municipal, Public Service and Teachers' boards, with the exception of the Interplan Executive Committee. The Municipal Pension Board does not participate in that committee.

Interplan Audit Committee

College Pension Board members: John Wilson (Chair), Karen Maynes

This committee acts on behalf of the boards of trustees of the College, Municipal, Public Service and Teachers' pension plans and assists the boards to provide for:

- a timely and cost-effective system of accounting and reporting,
- financial statements conforming with generally accepted accounting principles,
- an independent audit of the financial statements, and
- audited financial statements, which are included in the plan's annual report.

This committee met three times during the last fiscal year.

Interplan Benefits Committee

College Pension Board members: Dominique Roelants, Dan Bradford

This committee reviews and negotiates plan design issues such as coverage, cost of benefits, plan-specific differences in coverage, and dual coverage for post-retirement group benefits. The committee makes recommendations to the various boards on those issues and on legislative and plan rule amendments. The committee met once during the last fiscal year.

Interplan Executive Committee

College Pension Board members: Dominique Roelants, Dennis Anderson

This committee facilitates communication to ensure the College, Public Service and Teachers' boards meet their common governance and operation requirements. This committee met three times during the last fiscal year.

Executive Forum

College Pension Board members: Dominique Roelants, Dennis Anderson

This group of board chairs, vice chairs and senior administrators meets to discuss areas of common interest and provides an opportunity to keep abreast of activities in the other boards. The group met once during the last fiscal year.

Interplan Actuarial Services Committee

College Pension Board members: Dominique Roelants (Chair), John Wilson

This committee prepared and conducted a Request for Proposal for actuarial services and made a recommendation to the boards on an actuarial services provider. The committee met once during the last fiscal year.

Interplan Investment Committee

College Pension Board members: Dominique Roelants, Michael Lancaster

This committee's primary purpose is to provide a forum for considering investment issues that are common to the four pension boards. This committee met three times during the last fiscal year.

Interplan Trustee Education Committee

College Pension Board members: Weldon Cowan (Chair), vacancy

This committee develops the knowledge and skills of the trustees and works on common educational issues. The committee provides information on trends in benefits, pensions and investments in a variety of jurisdictions. This committee met four times during the last fiscal year.

Having a pension has become much more meaningful to me since my wife passed away a couple of years ago. My daughter is a full-time student and she receives part of her mother's pension as well as a survivor benefit from the federal government. We often don't want to think about things like survivor and death benefits but it's great to have those things when you need them, so pay attention to your benefits and learn about your entitlements.

Chris Thomson
Instructor,
Corrections and Community
Justice Division
Justice Institute of BC

Partners, Trustees and Agents

The College Pension Plan is jointly trusteed, with four **plan partners**: the B.C. Government and Service Employees' Union (BCGEU), the Federation of Post-Secondary Educators of BC (FPSE), the Post Secondary Employers' Association (PSEA) and the provincial government. The partners are responsible for appointing the trustees.

The **College Pension Board of Trustees** (the board) is fully responsible for managing the pension plan, including investing the assets and administering the plan. The board may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result in contribution rate changes must be approved by the partners. If the actuary determines it is necessary to increase contribution rates to fully fund the guaranteed benefit, the trustees must increase employer and member contribution rates equally.

The board holds regular meetings—at least three a year. In addition, trustees sit on at least one of the board's committees and participate on a number of interplan committees with trustees from the other public sector pension boards.

The **British Columbia Pension Corporation** is one of Canada's largest pension benefit administrators. Acting as an agent of the board, the corporation provides plan information to members and employers, manages contributions and member records, pays pension benefits, and provides policy, financial and communication services to the trustees.

The **British Columbia Investment Management Corporation** (bcIMC) is one of Canada's largest investment managers, and administers more than $85 billion in assets. As a global investor supported by industry-leading investment expertise, bcIMC offers fund management services for all major asset classes, including currency and infrastructure investments. The corporation provides investment management services as an agent of the board of trustees.

PricewaterhouseCoopers LLP provides external audit services for the College Pension Plan.

Eckler Ltd. serves as the actuary for the plan. The actuary conducts an actuarial valuation of the plan every three years.

Lawson Lundell LLP is the College Pension Plan's legal counsel.

Vancouver Community College

CLIENT SERVICES AND COMMUNICATIONS

When plan members or employers visit, call or write the College Pension Plan with questions or seeking information, a client representative will respond.

These individuals deal with a wide range of requests, including pension plan information, benefit calculations, employer reporting assistance, retirement seminars, pension applications, retired member group benefit enrolment and beneficiaries' possible entitlements on the death of a member. The plan's client representatives are experienced and well-trained, and are a huge part of what makes the College Pension Plan valuable for members and employers.

The plan offers retirement seminars to members throughout the province. Seminars help members nearing retirement learn about the plan, the retirement process and the options available to them.

The plan also offers a variety of online services to members, including My Account. Logging in to My Account allows members to view their personal information and access the personalized pension estimator. Currently, more than 30 per cent of active members have registered for My Account.

The board is committed to communicating effectively with plan members. The plan takes special steps to ensure all plan information is easy to understand and use. To improve the quality of our member and employer communications, we apply the principles of plain language and focus test our products.

We regularly publish new and updated communications materials, including the annual *Member's Benefit Statement*, *Report to Members* for active members and *After Work* for retired members. These audience-specific products contain updates about the plan's financial status and benefit changes. We continually develop new online products and services, and our website at **college.pensionsbc.ca** is an excellent source of pension plan information with online estimators and other great features.

Performance Measures and Targets

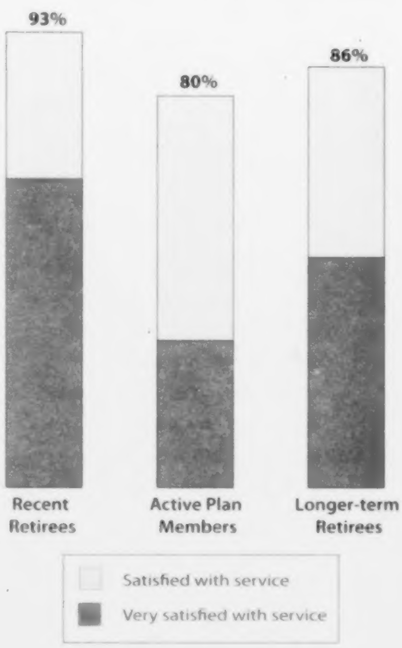
April 1, 2007 to March 31, 2008

The College Pension Plan is dedicated to providing high-quality and cost-effective services to plan members. Through our Service Delivery Plan with the Pension Corporation, the board approves service standards for the plan, including client satisfaction and timeliness of response, and monitors performance against those standards.

We continue to achieve high member satisfaction results, including 93 per cent of recent retirees who were satisfied or very satisfied with their retirement experience.

Satisfaction

Client Satisfaction Survey Results



Plan Participants

Members

Members of the College Pension Plan are senior administrators and faculty members of British Columbia post-secondary institutions.

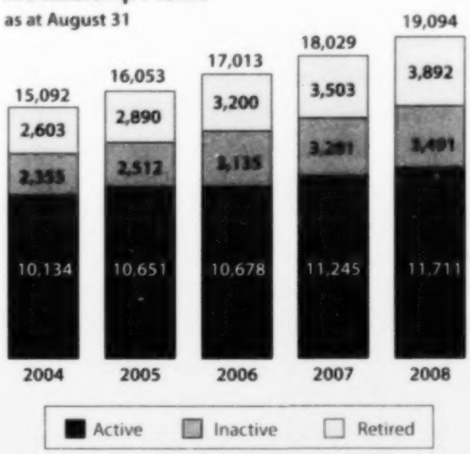
For employees hired on or after September 1, 1999, all full-time and some part-time senior administrators and faculty members are required to participate; certain part-time employees may do so voluntarily.

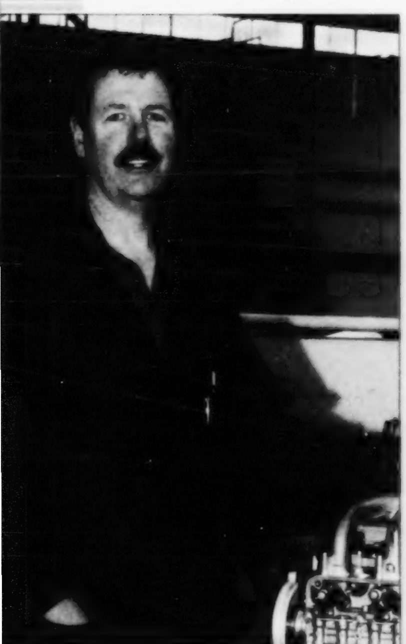
There are three categories of members in the plan:

- **Active**—those who are employed with a plan employer and who are currently contributing, on an approved leave of absence, receiving benefits from an approved group disability plan or who have already accrued 35 years of pensionable service.
- **Inactive**—those who have terminated employment but whose contributions remain on deposit with the plan.
- **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

The number of active plan members increased 4.1 per cent, and the number of retired members increased 11.1 per cent from last year. The plan now serves 19,094 members, including 11,711 active plan members and 3,892 retired members.

Membership Profile
as at August 31

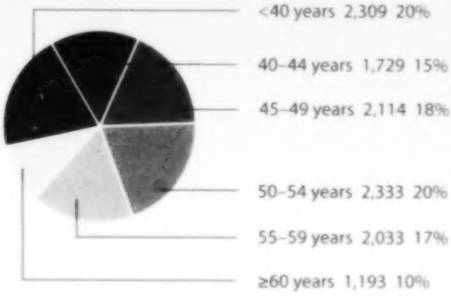




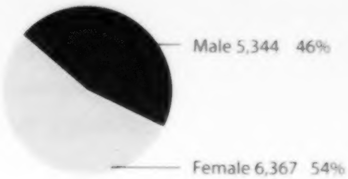
"I've been giving my pension a lot more thought lately. I've just entered my 50s so I'm hoping 'Freedom 55' really does exist. And I know it's a very real possibility because I belong to the College Pension Plan."

Jeff Mica
Instructor,
Motorcycle/Marine Department
British Columbia
Institute of Technology

Age Profile of Active Members

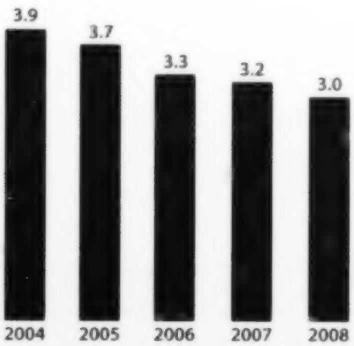


Active Member Profile



Ratio of Active Members to Retired Members

as at August 31



Employers

as at August 31, 2008

Employer Name	Effective Date	Web Site
British Columbia Institute of Technology (Burnaby)	January 12, 1978	www.bcit.ca
Camosun College (Victoria)	June 1, 1971	www.camosun.bc.ca
Capilano University (North Vancouver)	September 1, 1968	www.capilanou.ca
College of New Caledonia (Prince George)	September 1, 1968	www.cnc.bc.ca
College of the Rockies (Cranbrook)	May 8, 1975	www.cotr.bc.ca
Douglas College (New Westminster)	April 1, 1970	www.douglas.bc.ca
Emily Carr University of Art and Design (Vancouver)	January 19, 1978	www.ecuad.ca
Institute of Indigenous Government (Vancouver)*	May 26, 1995	
Justice Institute of B.C. (Vancouver)	April 27, 1978	www.jibc.bc.ca
Kwantlen Polytechnic University (Surrey)	July 1, 1981	www.kwantlen.ca
Langara College (Vancouver)	April 1, 1994	www.langara.bc.ca
Lester B. Pearson College of the Pacific (Victoria)	January 31, 1974	www.pearsoncollege.ca
Nicola Valley Institute of Technology (Merritt)*	September 1, 1995	www.nvit.ca
North Island College (Courtenay)	August 1, 1975	www.nic.bc.ca
Northern Lights College (Dawson Creek)	September 1, 1975	www.nlc.bc.ca
Northwest Community College (Terrace)	September 1, 1975	www.nwcc.bc.ca
Okanagan College (Kelowna)	September 1, 1968	www.okanagan.bc.ca
Open Learning Agency (Burnaby)	June 1, 1976	www.ola.bc.ca
Royal Roads University (Victoria)	January 1, 1998	www.royalroads.ca
Selkirk College (Castlegar)	September 1, 1968	www.selkirk.ca
Thompson Rivers University (Kamloops)	November 1, 1974	www.tru.ca
University of the Fraser Valley (Abbotsford)	November 1, 1974	www.ufv.ca
Vancouver Community College (Vancouver)	September 1, 1968	www.vcc.bc.ca
Vancouver Island University (Nanaimo)	January 1, 1969	www.viu.ca

* The Institute of Indigenous Government had a public administrator appointed in February 2007; its employee-members have since retired, terminated or begun employment with other employers participating in the plan, including a number who continued employment with the Nicola Valley Institute of Technology.

CONTRIBUTIONS

Plan members contribute through automatic deductions from their salary. Both plan members and employers pay contributions to fund future pension benefits.

Once a member terminates employment, retires or reaches 35 years of pensionable service, they no longer contribute; however, pending rule changes will permit future service accrual beyond 35 years. In June 2008, the board approved an amendment that removes the 35-year limit on accrual of pensionable service, effective September 1, 2009. After this date, members who accrue 35 years of service and continue working for their employer will continue to contribute and grow their pension benefit. Members who accrue 35 years of service before the effective date will begin contributing again on September 1, 2009 and will have a one-year opportunity to purchase the service between their 35-year accrual date and the effective date of the change.

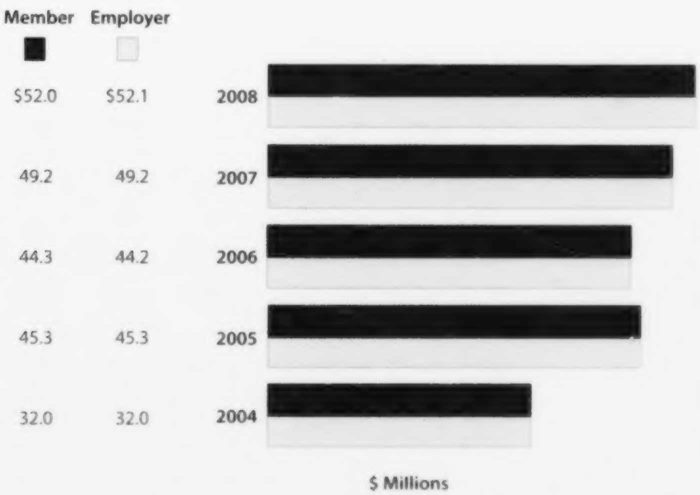
The guaranteed (defined) pension benefit is paid from the Basic Account. Cost-of-living increases (not guaranteed) are paid from the Inflation Adjustment Account, provided it contains enough money to pay them. Once granted, these increases are guaranteed for the life of the member. The table below shows current contribution rates.

The rates for members and employers as at August 31, 2008, were as follows:

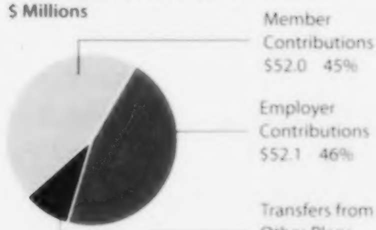
- 8.46 per cent (includes 7.37 per cent Basic Account, 1.09 per cent IAA) of pensionable salary up to and including the YMPE,* and
- 9.21 per cent (includes 8.12 per cent Basic Account, 1.09 per cent IAA) of pensionable salary for salary greater than the YMPE.*

* Year's Maximum Pensionable Earnings (YMPE) is the earnings limit on which you make Canada Pension Plan (CPP) contributions. The calendar year 2007 YMPE was $43,700, and was increased to $44,900 in 2008.

Contributions
Year ended August 31



Contribution Revenue
$ Millions



Plan Benefits

Plan benefits are defined by the pension plan regulation. Here is a general description of those benefits.

Guaranteed Basic Pension

The College Pension Plan is a defined benefit plan. This means the basic pension benefit is based on years of pensionable service, five highest years of salary and age at retirement. The pension is not based on contributions, nor is it based on the investment performance of the plan's assets. The basic pension benefit is guaranteed for the life of the member and, depending on the option the member chooses as retirement, the benefit can continue to a spouse or beneficiary after the member's death.

The advantage of a defined benefit plan is that the pension is predictable. The plan provides entitlement to a pension benefit for all plan members after they reach earliest retirement age. The plan also provides disability benefits.

Members are eligible for unreduced pension benefits:

- at age 65, or
- at age 60, with at least two years of contributory service, or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have an early retirement reduction applied to their pensions.

Members who terminated employment on or after January 1, 2002, receive a benefit of 1.7 per cent of pensionable earnings, up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE), and 2.0 per cent of highest average salary over the YMPE (to a maximum of 35 years) for each year of pensionable service.

If a member retires before age 65, their pension from the College Pension Plan includes a temporary monthly payment called a bridge benefit until they turn 65. The bridge benefit is intended to "bridge" the gap between income before age 65 and income after age 65, when Canada Pension Plan benefits typically begin. The bridge benefit is 0.3 per cent of the lesser of the YMPE or the member's highest average salary.

Cost-of-living Increases (non-guaranteed)

Retired members of the College Pension Plan receive an annual cost-of-living increase from the Inflation Adjustment Account (IAA). Future increases are not guaranteed.

On January 1, 2008, retired members received a full Consumer Price Index (CPI) increase of 2.5 per cent (2007: 0.7 per cent). Cost-of-living increases to the pension may be provided each year based on changes in the CPI (See Note 7b to the financial statements). Cost-of-living increases, once granted, become part of the guaranteed basic pension benefit.

The board will move to a new model for cost-of-living indexing in 2011.

Group Benefits (non-pension)

Group benefits (dental and extended health) are not guaranteed benefits. They are subsidized by a significant portion of available annual employer contributions that would otherwise go to the IAA. The board monitors the plan's ability to continue to provide non-guaranteed group benefits. Beginning in September 2009, the plans will become voluntary and completely user-pay.

A pension is a significant financial asset, as shown by the value of pensions granted in the last fiscal year.

Average Value of New Regular Pensions—September 1, 2007 to August 31, 2008

Subdivided by years of service

Years of Service*	Number of New Regular Pensions	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	53	$68,000	$ 7,600	$106,000	$ 5.6
10–14	36	71,000	16,100	247,000	8.9
15–19	78	75,000	24,700	378,000	29.5
20–24	46	75,000	33,000	492,000	22.6
25–29	36	78,000	36,600	622,000	22.4
30–34	29	75,000	43,900	690,000	20.0
35 years	11	86,000	55,700	876,000	9.6
Total	**289**	**n/a**	**n/a**	**n/a**	**$ 118.6**
Average of All Pensions	n/a	$ 74,000	$ 26,400	$ 405,000	n/a

* Years of service includes service transferred from other plans.

Pensions 2004–2008

Year Ended August 31	New Pensions During Year	Pension Terminations	In Force at End of Year	($ Millions) Basic Pensions Paid	Inflation Supplements Paid	Total
2008	**416**	**27**	**3,892**	**$60.8**	**$7.8**	**$68.6**
2007	333	30	3,503	53.9	6.9	60.8
2006	338	28	3,200	47.2	6.2	53.4
2005	308	21	2,890	40.9	5.1	46.0
2004	254	18	2,603	35.8	4.5	40.3

New Pensions, by Type 2004–2008

Year Ended August 31	Regular*	Death**	Disability***	Deferred	Total
2008	**289**	**11**	**13**	**103**	**416**
2007	246	5	12	70	333
2006	228	5	15	90	338
2005	233	9	11	55	308
2004	179	2	14	59	254

* New pensions do not include pensions continued to a beneficiary upon the death of a retired member.

** Pensions that result from the death of active members.

*** Primarily represents members on long-term disability who became eligible for a regular pension.

New Regular Pensions, by Age at Retirement
Subdivided by years of service
year ended August 31, 2008

Years of Service	≤59	60–64	≥65	Total
<10 yrs	14	26	13	53
10–14	15	13	8	36
15–19	18	44	16	78
20–24	16	23	7	46
25–29	13	19	4	36
30–34	7	16	6	29
35	2	6	3	11
Total	**85**	**147**	**57**	**289**
Average service	18	19	18	19
Male	19	20	17	19
Female	18	18	20	18
Average age at retirement	61			

Termination and Refund Benefits

A terminating member who has not yet reached earliest retirement age may choose to leave their money in the plan and take a pension later (deferred pension) or transfer the commuted value of the pension benefit (minimum value is member's contributions plus interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan. Members who are under 60 with less than two years of contributory service may also choose a refund of their contributions with interest.

Interest compounds annually and is credited to the member's contribution balance. The balance (including interest) is included in the annual *Member's Benefit Statement*. This balance does not represent the true value of the pension. The rate of interest is governed by the applicable pension legislation and is based on average bank five-year personal term deposit rates (2008—2.96 per cent; 2007—2.95 per cent).

The number and value of termination benefits paid can vary from year to year, depending on the employment environment, the type of benefit paid and the plan member's entitlement. In the year ended August 31, 2008, there were 272 termination and refund benefits* paid with a total value of $7.3 million (year ended August 31, 2007: 323 benefits paid with a total value of $10.9 million).

* Termination and refund benefits paid include refunds of contributions and commuted value payments; deferred pensions are included in pension statistics.

Transferring Service

Transfer agreements allow plan members to carry pension rights from one plan to another. The College Pension Plan has transfer agreements with many other public sector employers. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers." In order to transfer service, the member must have left their contributions on deposit, or reinstated service. Service may not always be transferred on a one-to-one basis, but depends on differences in plan benefits. Members of the plan who have made contributions to another pension plan may want to inquire about transfer agreements.

Under the BC Public Sector Pension Transfer Agreement of April 1, 2004, transfers can be made between the plan and the other BC public sector plans (Municipal, Public Service, Teachers'), and other signatories. The National Transfer Agreement allows transfers between a number of public sector pension plans in Canada, including the College Pension Plan. Four pension plans recently joined this agreement:

- Alberta Local Authorities Pension Plan
- Alberta Management Employees Pension Plan
- Alberta Public Service Pension Plan
- Ontario Public Service Employees Union Pension Plan Trust Fund

In the year ended August 31, 2008, there were 145 reciprocal transfers-in from other pension plans and 106 transfers-out. The transfers-in totalled $10.6 million; transfers-out totalled $2.4 million.

Purchase of Additional Service

Members may be able to increase their future pension benefits by purchasing service. Purchasing service means paying for periods of employment that have not already been counted as service with the plan. This service may include:

- leaves of absence (maternity, parental or other leave),
- arrears contributions (a period of time when members and employers did not make required contributions), or
- reinstatements (contributions previously refunded from the plan).

Eligible members have until June 30, 2009, to reinstate any service for which they took a refund.

Members can purchase periods of service that occurred during the previous five years and must apply to purchase before terminating employment. More information about purchasing service, including costs, is available on the plan website at **college.pensionsbc.ca**.

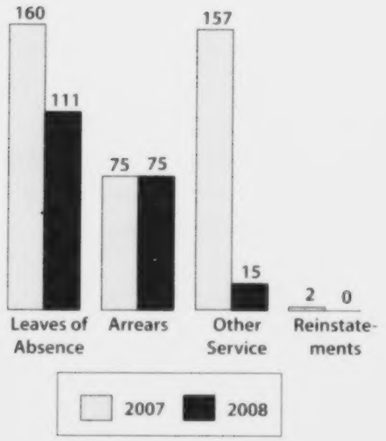
This year, the number of purchases of service decreased 49 per cent from 2007, with a corresponding decline in value of 84 per cent. This occurred as a result of the closing of the opportunity to purchase historical service (prior to the most recent five years), effective April 2007.

The pension is not the main reason I work but it's a great incentive. I don't think you can buy security like the pension because it's a defined benefit plan, not defined contribution.

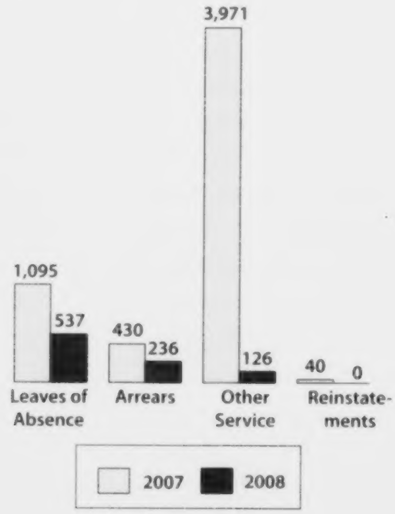
Kent Highnam
Program Coordinator,
Customized Training Solutions
Justice Institute of BC

Member and Employer Purchases of Additional Service

Number of Purchases
year ended August 31



Value of Purchases
year ended August 31 ($ Thousands)



Some of my friends don't have a pension and have saved on their own for retirement. With the economy being what it is these days, they've taken a significant loss and will have to work much longer to make it up. I don't have to worry about that because I have a pension. I feel secure about my retirement and I know that if something happens to me, my two sons will benefit from my contributions.

Sue Findlay
Instructor, Corrections & Community Justice Division
Justice Institute of BC

INVESTMENTS

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the table below. Short-term debt for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

Basic Account Investment Asset Mix and Performance
as at August 31, 2008

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	**25–45**			
Short-term	0–10	2.1	6.7	3.7
Mortgages	0–10	5.4	6.4	7.8
Bonds	17–28	21.9	8.1	7.7
Real Return Bonds	0–10	3.9	13.4	15.8
Equity	**55–75**			
Canadian Equities	10–22	14.2	0.9	1.3
U.S. Equities	10–22	15.7	(9.0)	(9.7)
International Equities	10–22	14.6	(15.2)	(14.2)
Real Estate	10–20	16.1	9.6	7.5
Private Placements	0–10	6.1	**	**

* Benchmarks are objective standards approved by the board to evaluate investment returns.

** Annual rate of return not applicable. These investments are long-term and returns are not realized on an annual basis.

Investment Portfolio

Investments are stated at fair market value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. In the table below, all portfolios are pooled except for Real Return Bonds, which is directly held.

Investments Held as at August 31, 2008

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	$ 21,767	0.9
Short-term bonds (1-5 years)	33,917	1.4
	55,684	2.3
Bonds		
Universe*	421,097	17.4
Long-term	97,839	4.1
Real Return	95,482	3.9
	614,418	25.4
Canadian Equities		
Indexed	256,252	10.6
Actively Managed	86,139	3.6
	342,391	14.2
U.S. Equities		
Indexed	236,833	9.8
Actively Managed	141,407	5.8
	378,240	15.6
International Equities		
Asia	66,498	2.7
Europe	119,698	5.0
Europe, Australia and the Far East	165,312	6.8
Hedging**	1,509	0.1
	353,017	14.6
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate	389,506	16.1
Mortgages	129,490	5.3
Private Placements	151,822	6.3
Foreign Currency	3,282	0.2
	674,100	27.9
Total Investments	**$2,417,850**	**100.0**
2007 Comparison	$2,348,997	

* Universe Bonds are comprised of Corporate and Government Bonds.

** Hedges are investments chosen to reduce the overall risk to the fund in volatile markets.

For further information on the investment portfolio, visit the British Columbia Investment Management Corporation website at **www.bcimc.com**

Investments Held as at August 31, 2008

Top 10 Holdings (Underlying investments are in pooled portfolios)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total Canadian Equities
Suncor Energy Inc	$ 18,468	5.4
Encana Corporation	16,560	4.8
Royal Bank of Canada	14,945	4.4
Research in Motion	14,481	4.2
Manulife Financial	13,833	4.0
Potash Corp of Saskatchewan	13,401	3.9
Toronto Dominion Bank	12,692	3.7
Bank of Nova Scotia	11,887	3.5
Canadian Natural Resources	11,244	3.4
BCE Inc	7,970	2.3
Total Top Ten	**$ 135,481**	**39.6**
Total Canadian Equities	**$ 342,391**	**100.0**

US Equities

Company	Market Value ($ Thousands)	% of Total U.S. Equities
Exxon Mobil Corp	$ 10,243	2.7
General Electric	8,363	2.2
AT&T Inc	6,501	1.7
Microsoft Corp	6,227	1.6
Procter & Gamble	5,979	1.6
Chevron Corp	5,090	1.3
Johnson & Johnson	4,951	1.3
JP Morgan Chase	4,803	1.3
Bank of America	4,391	1.2
Pepsico Inc	4,320	1.2
Total Top Ten	**$ 60,868**	**16.1**
Total US Equities	**$ 378,240**	**100.0**

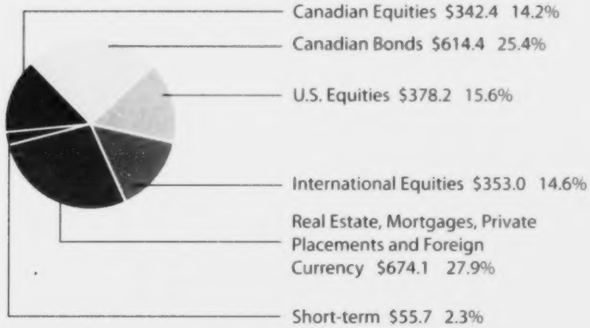
International Equities

Company	Market Value ($ Thousands)	% of Total International Equities
Royal Dutch Shell	$ 7,874	2.2
Total	5,067	1.4
BHP Billiton Ltd	4,483	1.3
Vodafone Group	4,229	1.3
E.ON AG	3,894	1.1
Nestle SA	3,774	1.1
BP PLC	3,663	1.0
Glaxosmithkline	3,637	1.0
Telefonica SA	3,570	1.0
Novaratis AG	3,552	1.0
Total Top Ten	**$ 43,743**	**12.4**
Total International Equities	**$ 353,017**	**100.0**

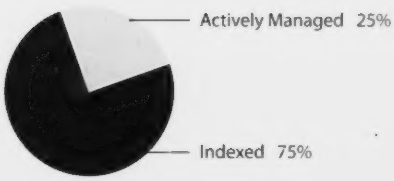
Investments Held as at August 31, 2008

Investment Holdings (Market Value)

$ Millions



Canadian Equities (Market Value)

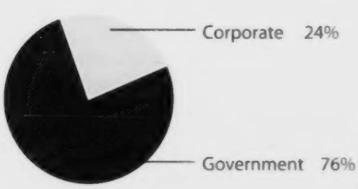


U.S. Equities (Market Value)

Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite)

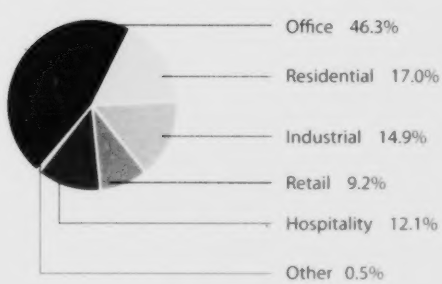
Actively Managed: A portfolio of securities that is designed to outperform a public market index

Canadian Bonds (Market Value)

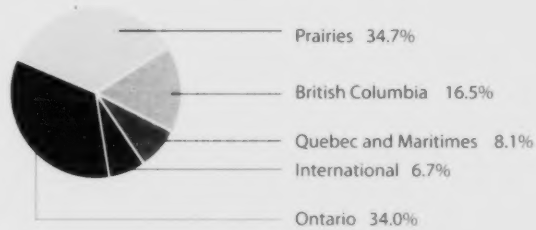


Foreign Content (Market Value)

Domestic Real Estate, by Type



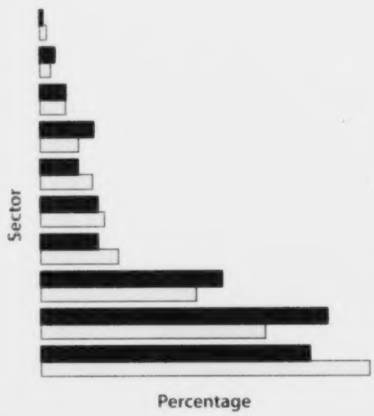
Domestic Real Estate, by Location



Investments Held as at August 31, 2008

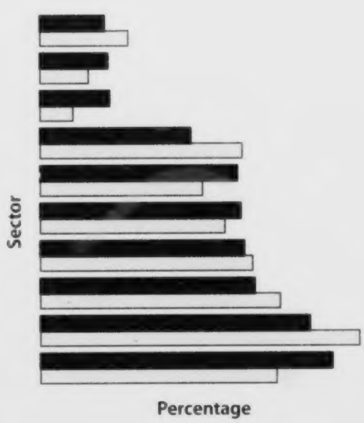
Canadian Equities, by Sector (%)

	Indexed ■	Actively Managed □
Health Care	0.3	0.7
Utilities	1.5	1.1
Consumer Staples	2.6	2.6
Telecommunications	5.4	3.9
Consumer Discretionary	3.8	5.3
Information Technology	5.8	6.5
Industrials	5.8	7.9
Materials	18.4	15.8
Financial Services	29.1	22.8
Energy	27.3	33.4
	100.0	100.0



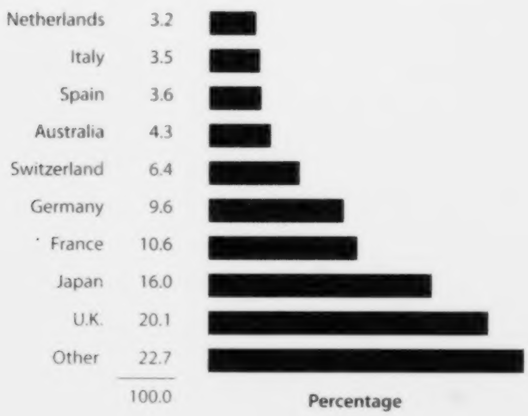
U.S. Equities, by Sector (%)

	Indexed ■	Actively Managed □
Materials	3.7	5.1
Telecommunications	3.9	2.8
Utilities	4.0	1.9
Consumer Discretionary	8.7	11.7
Consumer Staples	11.4	9.4
Industrials	11.6	10.7
Energy	11.8	12.3
Health Care	12.4	13.9
Information Technology	15.6	18.5
Financial Services	16.9	13.7
	100.0	100.0



Investments Held as at August 31, 2008

International Equities, excluding United States, by Country (%)



Investment Performance

Net Earned Rate of the Fund*

Year	%
2008	**9.2**
2007	10.4
2006	7.6
2005	3.8
2004	5.0

* Five-year annualized rate.

Market Value Rates of Return for the Year Ended August 31, 2008

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)	
Annual Rates				
2008	**1.2**	**1.6**	**1.3**	
2007	11.3	11.5	8.7	
2006	9.5	10.1	8.0	
2005	14.6	14.6	12.7	
2004	10.1	11.0	11.8	
Five-year Annualized Rates				
2008	**9.2**	**9.7**	**8.4**	
2007	10.4	10.9	9.6	
Ten-year Annualized Rates				
2008	**7.7**	**8.0**	**7.2**	
2007	7.9	8.1	7.4	
2008 Annual Rates by Investment Category				
Short-term				
Money Market	4.4	4.4	3.7	DEX 91-Day T-Bill
Bonds	7.4	7.4	7.7	DEX Short-term Government Bond
Bonds				
Universe**	7.9	7.9	7.5	DEX Universe Bond
Long-term	8.5	8.5	8.6	DEX Long-term Government Bond
Real Return	13.4	14.8	15.8	DEX Real Return Bond
Canadian Equities				
Actively Managed	(2.2)	(2.2)	1.3	S&P/TSX Capped Equity
Indexed	1.8	1.8	1.3	S&P/TSX Equity
Strategic Public Equity	11.4	11.4	1.3	S&P/TSX Equity
Enhanced	0.6	0.6	1.3	S&P/TSX Capped Equity
U.S. Equities (unhedged)				
Actively Managed	(7.9)	(7.9)	(10.1)	R1000
Indexed	(10.6)	(10.6)	(10.6)	S&P 500
Value	(15.2)	(15.2)	(15.4)	S&P/Citigroup Value
Enhanced	(10.6)	(10.6)	(10.6)	R1000/S&P 500
International Equities (unhedged)				
Asia	(15.7)	(15.7)	(15.7)	MSCI Pacific Net
Europe	(15.6)	(15.6)	(14.4)	MSCI Europe Net
Europe, Australia and the Far East	(14.9)	(14.9)	(14.2)	MSCI Europe, Australasia, Far East Net
Real Estate	9.6	9.6	7.5	CPI + 4%
Mortgages				
Fixed-term	5.7	5.7	8.3	DEX Short-term Bond + 1%
Construction	6.9	6.9	6.1	DEX One-year T-Bill + 1%
Mezzanine	10.7	10.7	7.7	DEX One-year T-Bill + 2.5%

* Benchmarks are objective standards approved by the board to evaluate actual investment returns.

** Universe Bonds are comprised of government and corporate bonds.

Performance Benchmark Indices Abbreviations

CPI = Consumer Price Index
MSCI = Morgan Stanley Capital International
R = Russell
DEX = Derivative TSX
S&P = Standard & Poor's
S&P/TSX = Standard & Poor's/Toronto Stock Exchange

(Source of annual rates: British Columbia Investment Management Corporation)

Financial Health

Continued focus on the long-term health of the plan makes the pension an asset members can depend on. The plan's last actuarial valuation was as at August 31, 2006.

Following receipt of the valuation report in 2007, the board conducted an asset mix review. This detailed review of investment policy is typically done after the board receives the valuation report and is part of the long-term planning for the pension plan.

The asset mix decision establishes the general framework for managing investment of plan assets, making it one of the major decisions made by the trustees. It establishes the risk characteristics that impact potential return on investments. This year's changes to the asset mix reflect the board's belief that there are low return prospects for fixed income investments and that setting aside a larger share of resources for investments in assets such as commercial real estate and privately negotiated investments will lead to higher long-term returns.

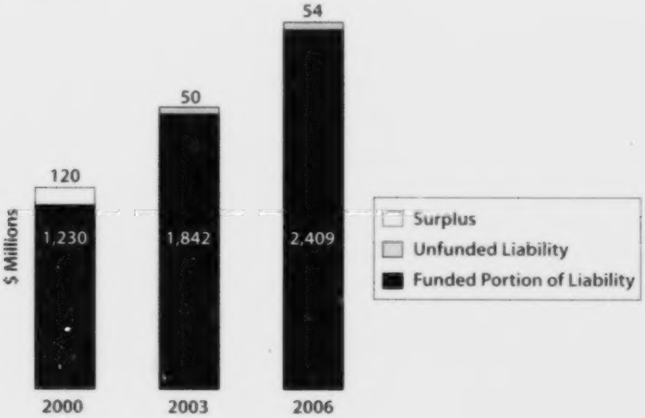
The next valuation will be as at August 31, 2009, with the results available for the 2010 annual report.

Latest Actuarial Valuation as at August 31, 2006
$ Millions

	Net Surplus (Unfunded Liability) Basic Pension Benefits		
	2006	**2003**	**2000**
For Funding Purposes*	$(54)	$(50)	$120
Ratio of Surplus (Unfunded Liability) to Covered Payroll	(9%)	(10%)	32%
For Accounting Purposes to August 31	$59	$122	$262

* Assuming contributions continue at rates in effect at the valuation date. See Note 7 and 8 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability
as at August 31



An unfunded liability means there is a shortfall between the benefits promised and the asset available to pay for those benefits; whereas a surplus means there are more than enough funds to meet the basic benefits

Funding Policy

Our goal is to ensure the financial health and stability of the pension plan now and in the future. We must make sure the basic guaranteed pension benefit is funded in order to meet the pension promise for current and future retired members.

The funding policy sets guidelines and policies for the guaranteed basic pension benefits, inflation protection (not guaranteed) and non-pension benefits (not guaranteed), and guides us in maintaining a balance between benefits and assets in the plan.

The intent of the policy is to provide fairness in costs and benefits to all plan members, regardless of your stage of plan membership, and to prevent sudden contribution rate increases in the future. While the policy reflects the intentions of the board, it is subject to restrictions imposed by the plan partners and must comply with relevant pension and tax rules.

If the plan has a shortfall between the guaranteed basic pension benefits promised and the assets available to pay for those benefits, the plan has an unfunded liability. In such cases, the funding policy directs us to increase contribution rates to eliminate the unfunded liability. If the plan has more than enough funds to pay the guaranteed basic pension benefits, the plan has a surplus. In such cases, we must use the surplus to ensure contribution rates for employers and members remain stable for the long term. Other benefit improvements can then be considered.

Future cost-of-living increases and post-retirement group benefits are not part of the basic pension benefit and are not guaranteed.

For cost-of-living increases, the board's overall intent is to stabilize the inflation indexing for a long period of time. The board has been aware of challenges in managing available funding for the two non-guaranteed benefits in the future, so began seeking solutions in 2008. Late in 2008, the board will begin developing an approach to create sustainable cost-of-living increases.

For non-pension post-retirement group benefits, which are not guaranteed, the funding policy sets a maximum amount (currently one per cent of active member payroll) that is available each year. The board cannot spend more than the one per cent and can only use employer contributions to pay for these benefits. The board is changing the way post-retirement group benefits are funded as part of the solution to the funding challenge for cost-of-living increases.

The funding policy is of fundamental importance in our ongoing assessment of the financial health of the pension plan.

FIVE-YEAR FINANCIAL SUMMARY

$ Thousands For the year ended August 31	**2008**	2007	2006	2005	2004
Increase in Assets					
Investment Income*	**$33,818**	$240,998	$183,075	$238,363	$148,718
Contributions					
Employers'	**52,100**	49,179	44,217	45,280	32,032
Members'	**52,007**	49,165	44,315	45,277	32,014
Transfers from Other Plans	**10,566**	13,634	11,610	10,517	13,023
Total Increase in Assets	148,491	352,976	283,217	339,437	225,787
Decrease in Assets					
Pension Benefits	**68,586**	60,776	53,427	46,017	40,259
Termination and Refund Benefits	**7,294**	10,856	9,514	7,355	4,531
Transfers to Other Plans	**2,364**	3,327	2,420	4,301	1,928
Retired Member Group Benefits	**4,351**	3,685	3,066	2,646**	2,791**
Investment and Administration Costs*	**5,883**	5,191	4,304	3,744	3,640
Total Decrease in Assets	88,478	83,835	72,731	64,063	53,149
Increase in Net Assets	**60,013**	269,141	210,486	275,374	172,638
Net Assets Available for Benefits at Beginning of Year	**2,358,945**	2,089,804	1,879,318	1,603,944	1,431,306
Net Assets Available for Benefits at End of Year	**$2,418,958**	$2,358,945	$2,089,804	$1,879,318	$1,603,944

Investment and Administration Costs*

			As a Percentage of Net Assets		
Investment Management*	**0.22%**	0.21%	0.20%	0.16%	0.16%
Administration	**0.10%**	0.09%	0.10%	0.10%	0.11%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of $2.0 million (2007—$2.1 million; 2006—$1.9 million: 2005—$1.1 million: 2004—$0.6 million) are not included in investment and administration costs but are included in investment management costs as a percentage of net assets.

** Decrease in 2005 reflects reductions in post-retirement group benefits that occurred in 2004.

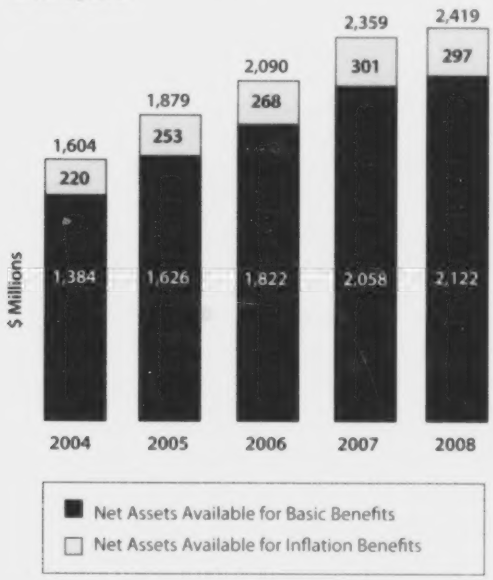
Net Assets Available for Benefits

The plan rules set up a financial structure of two accounts that hold assets. The guaranteed (defined) pension benefit is paid from the Basic Account. Cost-of-living increases are paid from the Inflation Adjustment Account.

When a cost-of-living increase is granted, the entire amount needed to pay the increase for the life of the member is transferred from the inflation adjustment account to the basic account. That is why we can guarantee cost-of-living increases once granted.

The bar chart below shows a five-year comparison of net assets in the basic and inflation accounts.

Net Assets Available for Benefits
as at August 31



PENSION
CORPORATION

Executive
Offices

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COLLEGE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the College Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the College Pension Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with generally accepted accounting principles. The Pension Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the College Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

BRIAN PEARSON, CGA
Assistant Director, Finance
British Columbia Pension Corporation

P. LOUISE YOUNG, CA
A/Chief Financial Officer
British Columbia Pension Corporation

January 15, 2009

PRICEWATERHOUSECOOPERS

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Chartered Accountants
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Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

January 15, 2009

Auditors' Report

To the Members of the
College Pension Plan

We have audited the statement of net assets available for benefits of the **College Pension Plan** as at August 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at August 31, 2008 and the results of its operations and its changes therein for the year 2008 then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

College Pension Plan

COLLEGE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at August 31	2008	2007
ASSETS		
Investments (Note 3)	$ 2,417,850	$ 2,348,997
Receivables		
Members' contributions	2,145	1,896
Employers' contributions	2,224	2,020
Accrued investment income	748	722
Due from sale of investments	2,066	12,000
	7,183	16,638
Prepaid expenses	439	352
Cash	434	468
Total Assets	2,425,906	2,366,455
LIABILITIES		
Payable for purchase of investments	4,440	5,779
Accounts payable and accrued expenses	2,508	1,731
Total Liabilities	6,948	7,510
NET ASSETS AVAILABLE FOR BENEFITS	$ 2,418,958	$ 2,358,945

All accompanying notes are an integral part of theses financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)

D Roelants

Dominique Roelants,
Chair, College Pension Board of Trustees

John Wilson

John Wilson,
Trustee,
College Pension Board of Trustees

Karen Maynes

Karen Maynes
Trustee,
College Pension Board of Trustees

College Pension Plan

COLLEGE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended August 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2008	Totals 2007
INCREASE IN ASSETS					
Investment income (Note 4)	$ 28,696	$ 5,122	$ -	$ 33,818	$ 240,998
Contributions (Note 5)					
Members'	45,459	6,507	41	52,007	49,165
Employers'	45,445	2,106	4,549	52,100	49,179
	90,904	8,613	4,590	104,107	98,344
Transfers from other plans	7,800	2,766	-	10,566	13,634
Total Increase in Assets	127,400	16,501	4,590	148,491	352,976
DECREASE IN ASSETS					
Pension benefits	60,621	-	169	60,790	53,921
Pension indexing supplements	7,789	-	7	7,796	6,855
	68,410	-	176	68,586	60,776
Termination and refund benefits	4,452	2,842	-	7,294	10,856
Transfers to other plans	1,747	617	-	2,364	3,327
Retired member group benefits (Note 10)	-	-	4,351	4,351	3,685
Investment and administration costs (Note 9)	5,390	430	63	5,883	5,191
Total Decrease in Assets	79,999	3,889	4,590	88,478	83,835
INCREASE IN NET ASSETS BEFORE TRANSFERS	47,401	12,612	-	60,013	269,141
Account transfers (Note 6)	16,716	(16,716)	-	-	-
INCREASE (DECREASE) IN NET ASSETS	64,117	(4,104)	-	60,013	269,141
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	2,057,548	301,397	-	2,358,945	2,089,804
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 2,121,665	$ 297,293	$ -	$ 2,418,958	$ 2,358,945

Supplemental Benefits Account (Note 10)

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The College Pension Plan (Plan) is a jointly trusteed pension plan governed by Schedule A of the *Public Sector Pension Plans Act* of British Columbia (Act) and the College Pension Plan Regulation (the "pension plan rules"). Joint trusteeship was established effective April 1, 2000 with the agreement of the Provincial Government, the Post Secondary Employers' Association, the Federation of Post Secondary Educators of B.C. and the B.C. Government and Service Employees' Union (Partners).

Schedule A of the Act describes the composition, appointment, powers, functions and duties of the College Pension Board of Trustees (Board) and provides authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information refer to the Act and the Regulation.

a) General

The Plan is for senior administrative employees and faculty members of specified British Columbia colleges, universities and institutes. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrative employees and faculty are required to participate; certain part-time staff may do so voluntarily.

b) Roles and Responsibilities

<u>The Board of Trustees</u>
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to eleven members. The Partners appoint ten members representing Plan members and Plan employers. The Chair is appointed by the other trustees. The Board is fully responsible for the management of the Plan, including the investment of the assets and the administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

<u>British Columbia Pension Corporation (Pension Corporation)</u>
The Pension Corporation provides benefit administration services as an agent of the Board.

<u>British Columbia Investment Management Corporation (bcIMC)</u>
bcIMC provides investment management services as an agent of the Board.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

c) Contributions

Basic Account
Members contributed to the Basic Account 7.37% (2007: 6.86%) of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($44,900 in 2008) and 8.12% (2007: 7.61%) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7 & 10).

Employer contributions to the Basic Account match those for members, less amounts allocated to the Supplemental Benefits Account (Notes 5 & 10).

Inflation Adjustment Account and Supplemental Benefits Account
Members contributed 1.09% of salaries to the Inflation Adjustment Account (IAA). Employers contributed 1.09% of salaries to the IAA less amounts allocated to the Supplemental Benefits Account (Notes 5 & 10).

d) Pension Benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.7% of pensionable earnings up to the YMPE, and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's highest five-year average salary (HAS).

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.3% of the lesser of YMPE or HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, subject to availability of funds in the Inflation Adjustment Account (Note 6 and Note 7b).

At January 1, 2008 retired members received a full CPI increase of 2.5% (2007: 0.7%).

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

e) Termination and Portability Benefits

A terminating member, who has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements or if under 60, with less than two years of contributory service, may choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. It does not purport to show whether these assets are adequate to meet all the obligations of the Plan. The actuarial valuation of the Basic Account for funding purposes is included in Note 7.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Fair values for 71% of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income received and paid from derivative contracts are recognized on the accrual basis. Gains and losses on derivative instruments are recognized concurrently with changes in their fair values.

The investment pools are denominated in Canadian dollars with all foreign denominated balances and transactions translated into Canadian dollars at the relevant foreign exchange rate.

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from those estimates.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

3. INVESTMENTS (FAIR VALUE)

	2008			2007
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 44,422	$ 11,262	$ 55,684	$ 128,995
Canadian Bonds (Note 11)	547,037	67,381	614,418	591,900
Canadian Equities	300,442	41,949	342,391	340,666
U.S. Equities	332,027	46,213	378,240	344,336
International Equities	309,888	43,129	353,017	413,481
Foreign Currency	2,851	431	3,282	4,090
Mortgages	113,625	15,865	129,490	99,515
Real Estate	341,857	47,649	389,506	320,295
Private Placements	128,185	23,637	151,822	105,719
	$ 2,120,334	$ 297,516	$ 2,417,850	$ 2,348,997

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bcIMC. Each unit gives the holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments such as short-term investments, Canadian bonds and Canadian equities. The Plan directly holds Canadian real return bonds of $95.5 million (2007: $85.4 million).

Short-term investments consist of Canadian and U.S. money market securities such as treasury bills with maturities of 15 months or less, and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares and, in the case of international equities, refer to investments in the markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. Real estate investments are valued quarterly by bcIMC's external real estate investment managers and, at least once every 10 to 18 months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

3. INVESTMENTS (FAIR VALUE) (continued)

Derivative contracts are held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

4. INVESTMENT INCOME

	2008			2007
	Income Allocation	Current Period Change In Fair Value	Total	Total
		($ Thousands)		
Basic Account				
Short-term	$ 3,287	$ 2,272	$ 5,559	$ 3,656
Canadian Bonds	24,616	20,665	45,281	4,244
Canadian Equities	6,149	(2,973)	3,176	49,716
U.S. Equities	9,825	(35,157)	(25,332)	34,950
International Equities	10,306	(64,353)	(54,047)	52,702
Foreign Currency	126	(738)	(612)	305
Mortgages	4,719	1,601	6,320	4,064
Real Estate	12,171	18,394	30,565	51,707
Private Placements	2,817	14,969	17,786	8,475
	$ 74,016	$ (45,320)	$ 28,696	$ 209,819
Inflation Adjustment Account				
Short-term	$ 388	$ 138	$ 526	$ 556
Canadian Bonds	3,633	3,091	6,724	431
Canadian Equities	952	(522)	430	7,226
U.S. Equities	1,412	(5,047)	(3,635)	5,077
International Equities	1,463	(9,229)	(7,766)	7,808
Foreign Currency	21	(111)	(90)	47
Mortgages	703	224	927	584
Real Estate	1,749	2,691	4,440	7,263
Private Placements	873	2,693	3,566	2,187
	$ 11,194	$ (6,072)	$ 5,122	$ 31,179
Total Investment Income	$ 85,210	$ (51,392)	$ 33,818	$ 240,998

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

5. CONTRIBUTIONS

	2008				2007
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
	($ Thousands)				
Members' contributions					
Regular	$ 45,109	$ 6,454	$ 41	$ 51,604	$ 46,404
Arrears	61	10	-	71	185
Purchase of service	55	8	-	63	1,985
Leave of absence	234	35	-	269	551
Reinstatement	-	-	-	-	40
	$ 45,459	$ 6,507	$ 41	$ 52,007	$ 49,165
Employers' contributions					
Regular	$ 45,014	$ 2,041	$ 198	$ 47,253	$ 42,719
Arrears	143	22	-	165	245
Purchase of service	55	8	-	63	1,986
Leave of absence	233	35	-	268	544
Supplemental benefits	-	-	4,351	4,351	3,685
	$ 45,445	$ 2,106	$ 4,549	$ 52,100	$ 49,179
Total Contributions	$ 90,904	$ 8,613	$ 4,590	$ 104,107	$ 98,344

Member and employer contributions are as defined under the Plan rules.

6. ACCOUNT TRANSFERS

	2008		2007	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$ 16,109	$ (16,109)	$ 3,849	$ (3,849)
Indexing of deferred pensions	607	(607)	866	(866)
	$ 16,716	$ (16,716)	$ 4,715	$ (4,715)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

6. ACCOUNT TRANSFERS (continued)

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended August 31, 2002 through 2008. Excess interest is based on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $727 million of assets for 2008 (2007: $643 million). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (9.2%) and the rate of return used by the actuary (6.75%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2008 was 2.45% (2007: 3.65%) resulting in a positive excess interest amount of $17.8 million (2007: $23.5 million). The cumulative negative excess amount of $1.0 million will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

Excess Interest	**2008**	**2007**
	($ Millions)	
Cumulative negative excess interest, beginning of year	$ (17.2)	$ (36.8)
Interest applied to beginning of year amount	(1.6)	(3.9)
Excess interest	17.8	23.5
Cumulative negative excess interest, end of year	$ (1.0)	$ (17.2)

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore accrued basic pension benefits for valuation purposes includes the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

The latest full valuation for funding purposes was prepared as at August 31, 2006 by Eckler Ltd. The results were as follows

As at August 31	2006	2003
	($ Millions)	
Net assets available for basic pension benefits	$ 1,822	$ 1,235
Five-year market value smoothing adjustment	(152)	81
Smoothed assets for basic pension benefits	1,670	1,316
Value of future contributions at current rate	739	526
Net actuarial assets for basic pension benefits	2,409	1,842
Liability for basic pension benefits	2,463	1,892
Unfunded actuarial liability	$ (54)	$ (50)

The following long-term actuarial assumptions were used:

- annual investment return 6.75% (2003: 7.2%)
- annual salary escalation rate 4.00% (2003: 4.7%)

The next full valuation will be as at August 31, 2009, with results available for the August 31, 2010 financial statements.

Based on the results of the 2006 actuarial valuation, the actuary determined that an increase in contribution rates was necessary for the Plan to maintain its proper funding. Therefore, the trustees decided to increase both member and employer basic contribution rates by 0.51% of salaries, effective September 1, 2007, as recommended by the actuary (Note 1c).

COLLEGE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
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7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefit costs. This sensitivity analysis assists the Board to identify scenarios some years in advance of their possible occurrence, and if it appears that full indexing cannot be provided for at least the next 20 years, the Board may consider providing less than full indexing sooner. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The latest full valuation for accounting purposes was prepared as at August 31, 2006 by Eckler Ltd. This valuation disclosed an actuarial surplus for basic pension benefits of $59 million (2003: $122 million actuarial surplus).

The next full actuarial valuation will be at August 31, 2009 for inclusion in the August 31, 2010 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to August 31, 2008, using the following long-term actuarial assumptions:

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8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

- annual investment return 6.75%
- annual salary escalation rate 4.00%

On this basis, the extrapolated value of the surplus at August 31 is as follows:

	2008	2007
Extrapolated Actuarial Liability for Accrued Basic Pension Benefits	*($ Millions)*	
Extrapolated actuarial liability, beginning of year	$ 1,755	$ 1,614
August 31, 2006 valuation adjustment	-	(3)
Extrapolated actuarial liability, beginning of year	1,755	1,611
Account transfers	17	5
Current period benefit cost	98	100
Benefits	(77)	(71)
Interest accrued on liability	119	110
Extrapolated actuarial liability, end of year	$ 1,912	$ 1,755
Extrapolated Actuarial Assets Available for Basic Pension Benefits		
Fair value of Basic Account net assets available for benefits	$ 2,122	$ 2,058
Fair value changes not reflected in extrapolated assets	(148)	(246)
Extrapolated actuarial assets, end of year	$ 1,974	$ 1,812
Extrapolated Actuarial Surplus, August 31	$ 62	$ 57

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

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9. INVESTMENT AND ADMINISTRATION COSTS

	2008	2007
	($ Thousands)	
Investment Management	$ 3,400	$ 2,998
Benefit Administration	1,676	1,548
Board Remuneration and Expenses	168	190
Board Secretariat Costs	212	206
Other Professional Services	427	249
	$ 5,883	$ 5,191

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees, except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of $2.0 million (2007: $2.1 million), representing the external management costs incurred by wholly owned corporations of the investment pooled funds, are not included in the above amount.

Benefit administration costs represents amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is $2 thousand (2007: $78 thousand) due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional service costs include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act* (Canada) limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage are contingent upon the availability of funding for such benefits.

COLLEGE PENSION PLAN
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10. SUPPLEMENTAL BENEFITS ACCOUNT (continued)

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 1% of pensionable salaries. Currently, the 1% maximum represents approximately 91.7% of contributions that would otherwise be employer inflation contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan, less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at August 31, 2008, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $114.6 million (2007: $109.6 million).

bcIMC has established collateral accounts for the Plan that are pledged as security for future investment opportunities. As at August 31, 2008, $3.5 million (2007: $2.2 million) of Basic Account Canadian Bonds are being held as collateral for an investment commitment of $1.2 million and other assured investment activity.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable, and accrued expenses. The fair values of these financial instruments approximate their carrying values.

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures and oversees the management of these assets through the Board's investment management agent, bcIMC.

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of foreign currency risk, interest rate risk, and market risk. Foreign currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

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12. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk
Foreign currency exposure arises from foreign currency denominated investments and related derivative contracts held indirectly through pooled investment portfolios. Foreign currency forward contracts are used by the underlying pools to manage a portion of the currency exposure. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

Interest Rate Risk
The value of the Plan's assets is affected by changes in interest rates and their effect on capital markets. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and general diversification by security type and geographic region.

Actuarial liabilities are affected by changes in long-term market interest rates.

Market Risk
Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk
Credit risk is limited by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentration with given counterparties.

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